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# Comparison of HRM practices between Chinese and Czech companies<sup>☆</sup>

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**Abstract** Both China and the Czech Republic have embarked on the transition from centrally planned economy to market-based economy since the early 1990s. Human resource management (HRM) played a very important role in the success of companies' economic transformation, and its role has been increasing since the period of stabilization and development of the market economy in both countries. Authors from both countries have been cooperating on the mutual comparative study on HRM practices in these two countries since the year 2009 until now and found out certain differences that were partially introduced in the doctoral thesis by Jun Li in 2011 after processing data from the first period of data collection. This paper briefly highlights some of the most obvious differences confirmed by the following mutual research. The areas where the HRM practices of both countries were compared more carefully are recruitment and selection process, training and development, performance appraisal and compensation.

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## Materials and methods

Data for this study were collected using the questionnaire designed by Czech and Chinese co-researchers. The questionnaire was divided into several sections referring to various aspects of HR management according to the

typical HR functions classification. The questionnaire was pre-tested in a pilot study, and then adjusted according to the feedback from several companies. It was translated into Czech language and Chinese language by professionals. The survey was carried out in two periods both in the Czech Republic and China in respective, in the first period from July 2009 to January 2010 and in the second period from September 2014 till March 2015 among 110 Chinese companies and 60 Czech companies. Most of the correspondents were directors and managers of companies, some of them directly responsible for HR department, some of them HR managers. The source and quality of correspondents ensured the reliability and originality of data acquired.

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Considering the type of variables in the questionnaire, and the aims of this study, a series of statistical methods was adopted in a systemic way. From basic description analysis, cross-tab, variance analysis to higher level cluster analysis to investigate the data further. The software SPSS 13.0 was used for statistical analysis. Description analysis (frequency, cross-table analysis) of specific selection, compensation and performance appraisal practices in companies allowed for a clear picture of HRM difference and similarities between Czech and China companies.

## Introduction

Within organizations, human resource management plays an irreplaceable role. HR department is the accelerator of organization change and HR managers must keep on training themselves in the latest approaches of HRM to meet the demands of dynamically changing environment. HRM is essential to keep and motivate human resources in order to increase competitive advantage of organizations (Koubek, 2009).

This study belongs to the domain of comparative human resource management. Comparative HRM explores the extent to which HRM differs between various countries or regions, what the antecedents of these differences, and explore the importance of such factors as culture ownership structure, labour markets, union and role of state as aspects of this subject rather than as external influences upon it (Brewster et al., 2007).

The practical contribution of this paper is to provide an understanding of HRM practices in manufacturing companies both in the Czech Republic and in China. Both countries are underscored by a rising economic heterogeneity and a rapidly changing socio-cultural context, challenged by waves of restructuring, privatization, increasing foreign investments and an emerging individualism. The main goal of the mutual research was to compare HRM practices in the two countries, to find out differences and to explain and learn from them. The areas where the HRM practices of both countries were compared more carefully are recruitment and selection process, training and development, performance appraisal and compensation.

In the area of recruitment of selection, it was found so far that particular selection methods are used more or less frequently in different societies in relation to the cultural values of that country, e.g. high uncertainty avoidance culture used more test types, more interviews (Cranet, 2005).

Different cultures approach 66 employee selection process differently. Some countries consider rather skills, knowledge and talent, some prefer consideration of age, gender and personal relationships. In the area of training and development, Koen (2005) points that philosophy on training should be linked back to more general notions of desirable work relationship incorporating views on job classification. Performance management has developed over the past two decades as a strategic, integrated process which incorporates goal-setting, performance appraisal and development into a unified and coherent framework with the specific aim of aligning individual performance goals with the organization's wider objectives (Dessler, 2007). Performance appraisal (PA) as the core of performance management is

viewed as serving a number of functions: documentation, development, administrative purpose (reward and promotion) and subordinate expression (Mulliman et al., 2002).

In the area of performance management, evidence showed that performance appraisal is perceived differently across cultures. For instance, values should influence the development of criteria for job success, the methods used to measure employee performance and to provide employees with feedback. It was suggested that collectivist societies are more likely to use informal, subjective appraisal, the concept of performance appraisal sits uncomfortably with character assessment. Cultural variations in the area encompass both how people should be appraised and by whom (Stone and Stone, 2002).

## Recruitment and selection

Czech and Chinese companies differ in their recruitment sources. 21.67% Czech companies recruit mostly internally, much higher than China, on the other end, 48.62% Chinese companies recruit mostly externally, much higher than Czech. Why Czech companies prefer internal recruitment and Chinese companies prefer external? It is probably influenced by labour market, from the consideration of morale and commitment, the mobility willingness of employee, and from the impact of national culture value.

The most commonly used selection methods in both countries are one-to-one interviews, application forms and references. The method of assessment centre, psychometric tests and interview panel are rarely used. The general situation is similar in Czech and Chinese companies.

Examining into the preference, there still exist differences. For instance, in Czech companies, the one-to-one interviews dominate with 70%, while in China it is "only" 50%. Reference is more often used in Czech selection practices. This difference is interpreted by culture difference on uncertainty avoidance. Psychometric test is the least used method in China, in the Czech Republic, assessment centre and interview panel are the least used methods. This proved the marked national difference on the frequency of a certain selection method.

## Training and development

Training and development are considered the most important HR functions for the era of knowledge-based economy. International evidences show that in the vast bulk of organizations, in almost every nation covered, there is a written policy for training and development, more common than written policies on any other aspects excepting pay and benefits.

## The importance of training and development

From our survey, it was shown that both Czech and Chinese companies give high mark to the importance of vocational education and training. It reflects the reality that China is eager to learn so as to adapt to the new market economy and any ambitious employer regards training as an investment

and he will get a workforce of high quality to adjust to the increasingly competitive market in the future.

### Expenses on training

More Chinese companies spend the expense percentage at the level of 1.01–2.0% of their turnover on training of front-line workers. The Czech companies in the same level of turnover share on training have higher investment on managerial training than on workers training.

Due to many years of centralized planned economy, lack of scientific management education and practicing have caused that professional managers are still hard to find. Therefore, it is a great challenge for the managers to learn more in comparison to non-managerial workers. Perhaps for the reason in both countries, there is stronger emphasis placed on the development of managerial workers. Because of the drastic transformation of economy and society, managers who have professional skills and knowledge and are able to keep adapting to the market economy environment are in demand.

### The training methods

Majority of 79% of Chinese companies choose on-the-job training as the first choice, compared to 45.5% Czech company. 21.4% of Czech companies and 6% of Chinese companies prefer off-the-job training. More companies come to realize that performance appraisal could be used to identify training needs, 41.8% of Czech companies take performance appraisal as an important method to identify training needs, while only 29% of China companies share this opinion.

## Performance appraisal

### The objective of PA

For both countries, the first objective of the PA was “for performance improvement” either on the total percentage or on the rank, the second one was “for pay”.

In this area, the Czech Republic and China have shown more similarity than difference. The results indicate that Czech and Chinese companies placed much emphasis on performance improvement. It is a future-oriented strategic focus which will benefit both organization and employees.

In both countries, performance appraisal is also important to support decision making on pay, in form of year-end bonus or variable pay. Despite of the debate on the link of performance with reward, pay based on performance is used very often as a short-run motivation to employee due to the increasing competition pressure and to the demand of increasing producing efficiency.

### The method and the participants of performance appraisal

The following table (see Fig. 1) compares the intensity of methods used for PA and participants of PA in both countries.

The methods of PA	the Czech Republic	China
supervisor interview	81.7%	36.4%
informal feedback	28.3%	19.3%
written reports	41.7%	72.7%
The participants of PA	the Czech Republic	China
supervisor	100%	90.9%
employee oneself	33.9%	66.4%
peers/colleagues	5.1%	51.8%
subordinates	6.8%	39.1%

**Figure 1** Frequency of methods used and participants of performance appraisal in Czech and Chinese companies.

Why do Czech and Chinese companies have so many differences on the methods and participants of PA? Performance appraisal is a complex process; it is influenced by other factors such as national culture, organization culture and other contingent factors.

It was supposed that the culture value on individualism/collectivism and power distance has a strong effect on process of PA in a number of ways. The supervisor will be the major appraiser; this is supported partially by the results of Czech companies. And this could be explained by its high PDI and high individualist characters. However, there is also a high percentage of Chinese companies that use self, peer and subordinate as appraisers, this seems to be the behaviour of low PDI, which cannot be interpreted by this suppose. Most of Chinese companies have adopted written reports – an indirect way of performance appraisal approach, what could be explained by its collectivist’s culture.

## Compensation

This section is focused on two specific aspects of compensation and its differences among sample companies. Basic pay determination level and salary decision influencing factors were discussed.

### Basic pay determination

Basic pay can be determined at three levels, national/industry level, company level, or individual level. The survey in this area was focused on analysing basic pay determination level among surveyed companies and aimed at proving the premise of national difference between China and the Czech Republic. According to data acquired, China has basic pay determined at national or industry level in most cases, while more Czech companies showed the individual level determination. This difference could be explained by national culture and characteristics of labour market.

Czech culture is characterized by greater individualism. This type of country tends to feature a greater focus on pay for performance generally and still more strongly a focus on individual pay. Maybe it could be supposed that Czech company is less influenced by labour market concerning salary level, therefore it is possible to make individual pay through negotiation.

## Influence factors on salary decision

Czech and China have differences in factors influencing salaries. Czech companies tend to regard individual performance and experience as more important. Most Chinese companies regard group achievement and seniority as very important factors what could be attributed to the Confucius philosophy where the respect to seniority is one of the basic principles and also collectivist culture in the China society.

Training level was considered of the same importance in both Chinese and a Czech company as it is obvious that training is the most objective and not difficult to assess factor. The differences remind us once more that consideration of national culture is useful to understand cross-national difference on pay practice. Although undergoing great reform and change, China's collectivist culture still remains. Organization tends to shape a corporate culture with collectivism spirit. Assigning tasks, assessing/evaluating and distributing on group is normal practice. There may be a difference between groups, but within a group, equality will be maintained.

## Conclusions

This paper compares the specific practices of HRM in Chinese and Czech companies in order to find out the major differences between them. To realize the goals of the paper, two parallel lines of working have been structured and managed. One line included the literature review and the study on the HRM context of the Czech Republic and China, focusing on theory study and relevant literature review and comparison of the HRM context of the Czech Republic and China. The other line was made of two period survey and methodology work, concentrated on action, communicating during survey, and data processing and full-scale analysis. This line discovered some major differences between China and Czech companies, using the main findings of cluster analysis and ANOVA analysis.

This study has found that context of HRM in the Czech Republic and China has much difference, and as supposed, HRM practices have also significant differences. HRM practices are influenced by contingent factors as size, ownership and industry. Differences were found in almost all function areas of HRM between Czech and Chinese companies. In a brief, the area of recruitment and selection differs in terms of recruitment sources and selection method preferences, the area of training and development differs in terms of expenses on training and types of training on-the job/off-the-job, the area of performance appraisal differs in terms

of appraisal methods and participants of appraisal, and the compensation process differs in terms of basic pay determination level as well as in the salary influencing factors.

The differences in studied areas could be explained by the historical and cultural background in both countries. The Czech Republic is considered more individualistic country than China, which is more collectivistic. China is building on very rich collectivistic history and also factors emphasizing for instance the very high respect to seniority. These facts influence all the HR practices. In order to be able to track changes in these two countries, longitudinal studies in this area are recommended.

## Conflict of interest

The authors declare that there is no conflict of interest.

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